



USAID
FROM THE AMERICAN PEOPLE

FARMING AS A FAMILY BUSINESS

PARTICIPANT WORKBOOK

ZIMBABWE AGRICULTURAL COMPETITIVENESS PROGRAM

August 2012

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FARMING AS A FAMILY BUSINESS

PARTICIPANT WORKBOOK

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FARMING AS A FAMILY BUSINESS

PARTICIPANT WORKBOOK



A guide to higher profits through managing farming as an integrated family business



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ZIMBABWE

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MODULE 1: THE CONCEPT OF FARMING AS A FAMILY BUSINESS



LEARNING OBJECTIVES

By the end of this module, participants are expected to:

- ✓ Understand the business concept
- ✓ Understand the farmer as an entrepreneur
- ✓ Distinguish between subsistence and commercial farming practices
- ✓ Identify opportunities and challenges associated with family farm businesses
- ✓ Understand critical success factors in family farm businesses
- ✓ Understand the importance of involving the whole family in decision making for effective resource allocation and utilization in a family farm business
- ✓ Be able to apply business principles in family decision-making processes

1.1 INTRODUCTION

The purpose of this section is to introduce you to the concept of **business** with the view of helping you to understand how farming can be operated along business lines. For each question, write down your thoughts first and then refine your ideas as you learn new things from the trainer and other participants.

1.2 WHAT IS A BUSINESS?

What do you understand by the term business? Can farming also be treated as a business? If your answer is yes, how does farming become a business?



Following the answer you provided above, what should farmers do to ensure that their operations are truly commercial and generate income for the farm owners?



1.3 BUSINESS PRINCIPLES

List the practices you know or think make businesses successful.



1.4 THE FARMER AS AN ENTREPRENEUR

- a) What kind of farmer is considered to be commercial?
- b) How does a commercial farming operation differ from a subsistence one?



- c) What activities do successful commercial farmers do to generate income and profit?



- d) Given your understanding of commercial and subsistence farming, how would you classify farmers in your area? Elaborate.



1.5 INVOLVEMENT OF FAMILY MEMBERS IN THE MANAGEMENT OF FARMING BUSINESSES

- a) Do female farmers in your area have the same opportunities for running farming businesses as their male counterparts? Discuss, highlighting reasons for differences if any.



- b) Should all family members be involved in the management of farming businesses? Discuss. How should operational and managerial roles and responsibilities be allocated among women, men, children, and workers to ensure success in the farming business?



- c) What would you say are the major challenges facing farming businesses that involve all family members in operations and management? What solutions do you suggest for dealing with these challenges?

[illegible]

- d) What are the potential benefits of involving all family members in running a farming business?



1.6 DECISION MAKING IN FAMILY FARMING BUSINESSES

List the common decisions that a family operating a farming business is likely to make in a given season in order to be successful.



Why is it important to involve the whole family in decision-making processes of the farming business?




1.7 FARM-LEVEL DECISION-MAKING CASE STUDY

Refer to **Figure 1.3** in section 1.5 and the **case study** in section 1.9 of the Training Manual and list the major things you learn with respect to decision making.



1.8 SUMMARY OF THINGS LEARNED IN THIS MODULE

In groups, discuss and list the main things that you learned in this module.



MODULE 2:

RISK MANAGEMENT IN FARMING BUSINESSES



LEARNING OBJECTIVES

By the end of this module, participants are expected to:

- ✓ Be able to explain the concept of risk in the business of farming
- ✓ Understand the different risks that farmers face in the business of farming
- ✓ Describe and explain some strategies to manage risk at the farm level
- ✓ Understand the involvement of the whole family in managing farm risk

2.1 INTRODUCTION

Group activity – The business environment

In groups, each participant should give two important things that they set out to achieve in their farming business during the past season. In your discussions, indicate how you planned to achieve the targets. Were all of the outcomes as anticipated? If the outcomes differed from what you anticipated, give reasons for the deviations.



2.2 THE CONCEPT OF UNCERTAINTY

If your outcome as indicated above differed from what you expected, it shows that there was uncertainty in the environment in which you conducted your business. Now, cluster the challenges that your farming business faced into physical, political, social, technological, and trading environment categories.



2.3 THE CONCEPT OF RISK

The stages at which expected outcomes can be affected by external forces or poor decisions include production that affects output, marketing that affects revenue and profit, and income distribution that affects livelihoods. If you read Module 2 of the Training Manual, you will realize that all three of these stages represent types of risks.

- a) Discuss how production risk affects output.
- b) Discuss how marketing risk affects revenue and profit.
- c) Discuss how income distribution risk affects livelihoods.



2.4 RISKS ASSOCIATED WITH FARMING BUSINESSES

Group work: Discuss the causes and effects of each type of risk that you identified in section 2.3 above. Draw cause and effect diagrams for each of the identified risks. Display each diagram as a tree—the type of risk as the trunk of the tree, the causes as the roots, and the effects as the branches. You can make reference to Table 2.1 in the Training Manual to assist you in putting the diagrams together. Also, assess whether or not these risks affect female farmers in the same way that they affect their male counterparts.



2.5 RISK MANAGEMENT MEASURE AT THE FARM LEVEL

a) Group discussion (sharing personal experiences)

Share with other participants the experiences with risks that you encountered in your own farming business, and indicate how you corrected or responded to the situations you faced. Table 2.1 in the Training Manual will assist you in identifying possible risks that you may face in farming businesses.



b) Group activity – risk mitigation measures/strategies

In groups, review the cause-effect diagrams you constructed in section 2.4 and look at ways of stopping the causes of the risks or reversing the situation. Share your ideas with others. List these as strategies for dealing with the risks and minimizing their impact. Compare your list with the strategies that are listed in Table 2.2 of the Training Manual.



2.6 FAMILY INVOLVEMENT IN RISK MANAGEMENT

Group activity: Refer to **case study 2.6** in the Training Manual and perform a role-play on the basis of that case study. At the end of the role-play, discuss lessons from the case study, note these findings, and make presentations on your findings in plenary. How does this help you to improve the way you manage risks associated with your farming business?



2.7 SUMMARY OF THINGS LEARNED IN THIS MODULE

In groups, discuss and summarize the main things that you learned in this module.

[illegible]

MODULE 3:

PLANNING A FARM BUSINESS



LEARNING OBJECTIVES

By the end of this module, participants are expected to;

- ✓ Appreciate the importance of planning for a family farm business
- ✓ Appreciate the essential elements of the planning process
- ✓ Understand the importance of a family approach to farm business planning
- ✓ Understand the essentials of farm analysis and farm planning processes
- ✓ Be able to carry out the strategic planning process for the farm business

3.1 INTRODUCTION

Role play: Please make reference to **case study 3.2** in the Training Manual and perform a role-play of the case in groups. After the role-play, list the things that you have learnt on the importance of planning in farming businesses. Why is it even more important to plan as a family in a farming business?



3.2 WHY PLAN?

Use lessons from the role-play performed in section 3.1 above and list the reasons for planning in a family farming business in more detail. As you discuss lessons learned from the role-play, give tips on how a family can successfully work together to produce a plan. Each group will make a presentation of their findings in plenary.



3.3 THE PLANNING PROCESS

Describe the series of steps to be undertaken in a planning process. Check your answer against what is in Table 3.1 of the Training Manual. Make adjustments to your answers as necessary.



3.4 FARM STRATEGIC PLANNING

Group discussion (sharing experiences)

In small groups, participants should discuss how they plan with their families and what some of their experiences have been (Participants should feel free to share even the bad examples because this enriches the learning process).



3.5 WHAT TO PLAN

What are the things that require planning on your family business? Compare your answers to what is presented in section 3.6 of the Training Manual. Are there any additions you need to make to your answers to make them more complete?



3.6 SUMMARY OF THINGS LEARNED IN THIS MODULE

In groups, discuss and summarize the key things that you learned in this module.

[illegible]

MODULE 4:

FARM BUSINESS RECORD

KEEPING



LEARNING OBJECTIVES

By the end of this module, participants are expected to:

- ✓ Understand the importance of record keeping in family farm businesses
- ✓ Understand the common types of records required in a family farm business
- ✓ Appreciate the dangers of not keeping records of a farm business
- ✓ Appreciate some tips for improving record keeping in a farm business
- ✓ Understand how to make decisions based on records
- ✓ Demonstrate competence in designing and using appropriate farm records

4.1 INTRODUCTION

Consider a family farming business and indicate the activities of the business that require records to be kept.



4.2 CLASSIFICATION OF FARMING RECORDS

In groups, brainstorm and identify the types of records that are important for a farming business. Compare your answers to what appears in Tables 4.1 and 4.2 in the Training Manual.



4.3 WHY KEEP FARMING RECORDS

Role play: A farmer bought a fungicide, Dithane M45, on credit from an agrodealer shop, and the agrodealer did not record the purchase. The farmer is clear in her mind that she has a balance of \$16 and intends to settle this at the end of the month. At the end of the month, the farmer wants to pay, and the dealer tells her that she has a debt of \$25. A hot argument erupts and the farmer eventually wins—she says, “Show me records to prove that I owe you that much!” The dealer could not argue further because he had no such records. Therefore, he reluctantly conceded to the farmer’s argument.

- a) Do you think the dealer knew for sure how much money he was making from his business? Please provide evidence from the role-play to support your answer



b) What are other reasons for keeping records in a business of this nature?



c) What are some of the challenges of keeping good business records?



d) Why is collective responsibility for keeping records in a family business necessary?



4.4 GENERAL PRINCIPLES FOR RECORD KEEPING

Organizing a farmer's expenses records

a) In groups, sort out and organize income and expense cards provided by the facilitator under three columns—income, business expenses, and personal expenses. Discuss the outcomes in plenary



- b) Why is it important to separate money for your business from that for your household expenses? Share experiences on how this should be done.

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4.5 CALCULATING PROFIT AND LOSS FROM A FARMER'S RECORD OF INCOME AND EXPENSES

Using data in Tables 4.3 and 4.4 of the Training Manual, calculate profit and loss from a farmer's record of income and expenses.

[illegible]

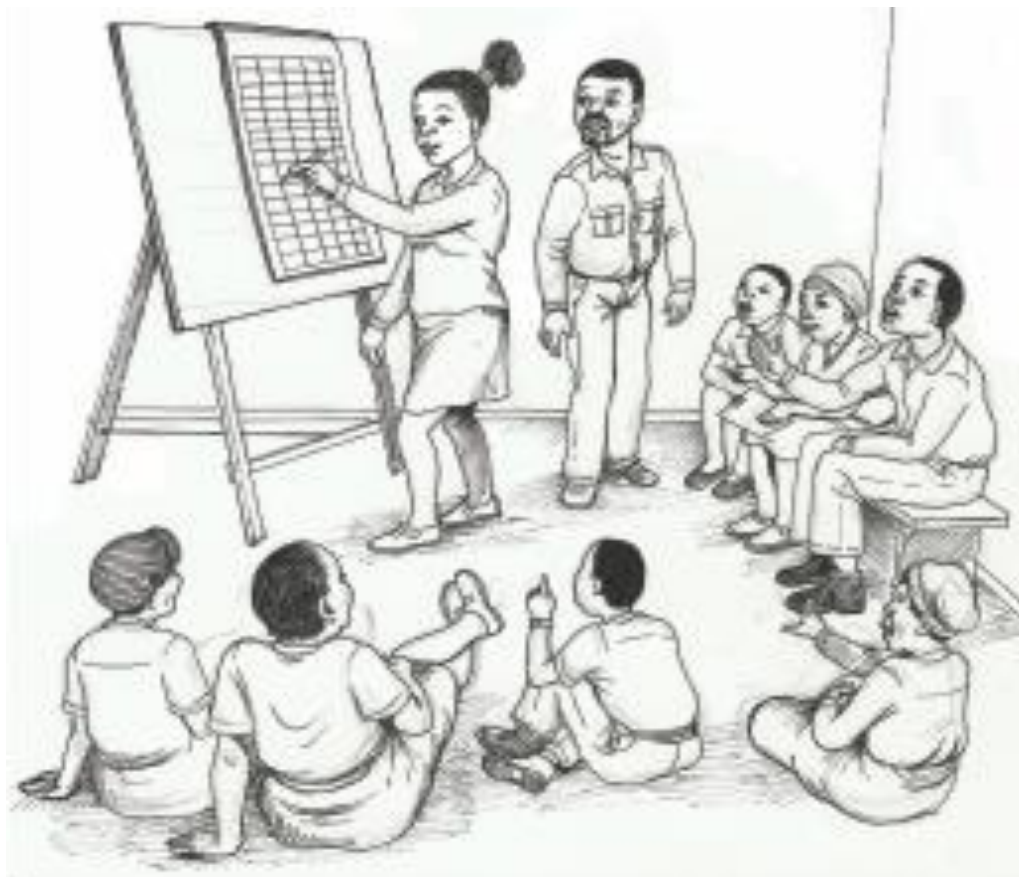
4.6 SUMMARY OF THINGS LEARNED IN THIS MODULE

In groups, discuss and make a summary of the main things you have learned in this module.

[illegible]

MODULE 5:

FARM BUSINESS FINANCIAL MANAGEMENT



LEARNING OBJECTIVES

By the end of this module, participants are expected to:

- ✓ Appreciate the importance of financial management in a farming business
- ✓ Understand the concept of farm budgeting and the components of a farm budget
- ✓ Appreciate the different types of farm budgets
- ✓ Appreciate the importance of inclusive budgeting (inclusion of family members)
- ✓ Be able to prepare and analyze a profit and loss account
- ✓ Understand budget preparation processes and guidelines
- ✓ Appreciate sensitivity analysis—profit level at different levels/scales of production

5.1 INTRODUCTION

a) Why is financial management important to family farming businesses? Discuss.



b) In groups, discuss and list the benefits of managing business finances as a family.



c) Based on your experience, what are some of the financial management challenges that are faced by farming businesses? What suggestions do you have for dealing with these challenges?



5.2 COMMON TYPES OF FARM BUDGETS

Name the different types of budgets that are useful for a farming business.



5.3 WHAT ARE THE MAIN COMPONENTS OF A BUDGET?



5.4 WHAT ARE THE FIVE MAIN STEPS OF PREPARING A FARM BUDGET?



5.5 GROSS MARGIN BUDGETING

- a) In groups, prepare a detailed gross margin budget of one crop and/or livestock enterprise that is common to your area. The gross margin budget will be presented and discussed in plenary.



- b) Use your product from above to show the breakeven point, the business profit, and the return per dollar invested.



5.6 USES OF FARM BUDGETS

What are the uses of budgets in farming businesses?



5.7 SUMMARY OF THINGS LEARNED IN THIS MODULE

In groups, discuss and summarize the main things that you learned in this module

[illegible]

MODULE 6:

FARM BUSINESS FINANCIAL MOBILISATION



LEARNING OBJECTIVES

By the end of this module, participants are expected to:

- ✓ Appreciate the role of finance in family farming businesses
- ✓ Appreciate the various sources of finance available
- ✓ Be able to evaluate and select finance options
- ✓ Understand the factors affecting access to farm credit
- ✓ Understand the factors considered by banks before granting loans
- ✓ Be able to write a bankable funding proposal

6.1 INTRODUCTION

Write down the amount of money and a list of resources you need for your farming business. Please note that the amount of money needed for farming businesses is based on the gross margins for all of the enterprises of the business. In coming up with these figures, family farming businesses also have to consider possible sources of the required finances.

[illegible]

6.2 WHERE DO FARMING BUSINESSES IN ZIMBABWE RAISE MONEY?

List the possible sources of finance for your farming business. For each possible source, indicate the advantages and disadvantages of being financed through these sources.

[illegible]

6.3 ACCESSING AGRICULTURAL LOANS, WHAT DO BANKS CONSIDER?

Discuss the challenges faced by farmers as they try to borrow money from banks. What are the common things that banks and financial institutions consider before granting loans?



6.4 GUIDELINES FOR PREPARING A SUCCESSFUL FARM BUSINESS PLAN

Outline the essential elements to be considered in coming up with a good business plan.



6.5 WRITING A FARM BUSINESS PLAN

In groups, prepare a business plan for a farming business and present it in plenary.



6.6 SUMMARY OF KEY THINGS LEARNED IN THIS MODULE

In groups, discuss and summarize the main things that you learned in this module

[illegible]

MODULE 7:

FARM OPERATIONS MANAGEMENT AND DECISION MAKING



LEARNING OBJECTIVES

By the end of this module, participants are expected to:

- ✓ Understand the basic functions of management
- ✓ Be able to apply management principles in their farming operations
- ✓ Be able to make informed operational decisions in a family business
- ✓ Understand and exploit the inter-linkages among different activities of the farming business.
- ✓ Understand the role of family members in operations and management of the business

7.1 INTRODUCTION

Resources for operating a farming business

List the resources that are required to operate a successful farming business. With the assistance of the facilitator, group these into natural, man-made, tangible, and non-tangible categories.



7.2 UNDERSTANDING THE FUNCTIONS OF MANAGEMENT

Of the resources listed above, which ones would you say are the most important in farming businesses?



7.3 ORGANIZING AND STRUCTURING THE FAMILY BUSINESS

Referring to sections 7.2 and 7.3 of the Training Manual, draw a diagram that shows the structure of your business.



7.4 FARM DECISION MAKING

What are the roles of management in a farming business (refer to **Figure 7.1** in the Training Manual)? In groups, list some daily management decisions in farming businesses and indicate who should make those decisions.

Discuss the extent of family involvement in decision making and indicate why family involvement is important.



7.5 LEADERSHIP OF THE FAMILY BUSINESS

Identify different leadership styles and indicate the advantages and disadvantages of each. In coming up with your answers, make reference to **Table 7.1** in the Training Manual.



7.6 MOTIVATION IN FARMING BUSINESSES

In groups, discuss and list ways of motivating workers, challenges in motivation, and ways of addressing the challenges. (As you discuss, refer to section **7.5** of the Training Manual.)



7.7 TIME MANAGEMENT

Why is time management important in a farming business?



How can the manager of a family farming business ensure that operations are done on time?



7.8 DELEGATION OF DUTIES

What are the critical elements that must be taken into consideration for effective delegation of duties on a family farming business set-up?



7.9 SUCCESSION PLANNING

Why is succession planning critical for the continuity of a family farming business? What should family members operating a farming business consider in choosing the person who will take over the business when the current leader retires or dies?



7.10 DEPLOYMENT OF FARM BUSINESS RESOURCES

Refer to **case study 7.10** in the Training Manual and identify the good leadership and management principles that were practiced by the Wamambo Family.



7.11 SUMMARY OF KEY THINGS LEARNED IN THIS MODULE

In groups, discuss and list the key things that you learned in this module

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MODULE 8:

LABOUR REQUIREMENTS ON A FAMILY FARM BUSINESS



LEARNING OBJECTIVES

By the end of this module, participants are expected to:

- ✓ Understand the importance of labour in farming businesses
- ✓ Understand labour requirements for cropping and livestock enterprises
- ✓ Understand the opportunities for men and women in farming businesses
- ✓ Be able to devise means for dealing with farm labour shortages

8.1 INTRODUCTION

What do families have to consider before engaging people to work in their farming businesses?



8.2 FARM LABOUR REQUIREMENTS

- a) Considering the common enterprises of your farming business, which operations would you need to hire extra labour for? What specific tasks will these labourers be hired to perform?



- b) What should a family do to improve the skill levels of family members and those of workers hired to work in their farming business?



8.3 FACTORS THAT INHIBIT THE GROWTH OF FARM LABOURERS

Why is it difficult for the agricultural industry to satisfy the demand for labour at the producer level?



8.4 CHARACTERISTICS OF AGRICULTURAL LABOURERS

What are the main features that characterize agricultural labourers in Zimbabwe?



8.5 PLANNING LABOUR REQUIREMENTS

Refer to the case study labelled as **Figure 8.1** in the Training Manual.

Why did the Mangenje family fail to pay the labourers who worked in their maize fields? What should the family do to avoid a recurrence of this problem in future?



8.6 IMPROVING THE WELFARE OF AGRICULTURAL LABOURERS IN ZIMBABWE

What should be done to improve the socio-economic status of agricultural labourers in Zimbabwe?



8.7 SUMMARY OF KEY THINGS LEARNED IN THIS MODULE

In groups, discuss and list the important things that you learnt in this module.

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MODULE 9:

MARKETING OF FARM

PRODUCTS



LEARNING OBJECTIVES

By the end of this module, participants are expected to:

- ✓ Understand the concept of marketing
- ✓ Understand the importance of marketing in farming businesses
- ✓ Understand characteristics of farming products
- ✓ Evaluate different target markets and marketing channels for farming products
- ✓ Make informed marketing decisions
- ✓ Apply marketing principles to farming businesses

9.1 INTRODUCTION

What do you understand marketing to mean?



9.2 UNDERSTANDING THE MARKETING CONCEPT AND ITS IMPORTANCE

What are the concerns of the whole marketing function in a farming family business?



9.3 MARKETING DECISION MAKING IN THE FAMILY BUSINESS

- a) Family farming businesses have options regarding product combinations, pricing, promotion, and distribution and need information on the benefits and costs of each. What are the available marketing options available to you as a family in your farming business?



- b) What marketing decisions should family farming businesses make involving all family members?



9.4 THE NATURE OF AGRICULTURAL PRODUCTS

As a group, identify the differences between agricultural products and other products produced by other industries. Compare your answers to what appears in section 9.4 in the Training Manual.



9.5 IDENTIFICATION OF POTENTIAL BUYERS AND MARKETING CHANNELS

As farmers, you need to be able to identify potential buyers of your products and the marketing channels for the products. Pick one commodity and identify target buyers, marketing channels, and sources of information for this commodity.



9.6 INTERNATIONAL MARKETS

What are the general requirements for marketing farming products to international markets? What should smallholder farming businesses do to improve their chances of selling their products on international markets?



9.7 ROLE OF MARKETING INSTITUTIONS

Give examples of marketing institutions in Zimbabwe. Specify the purpose of their existence and the assistance they give to farmers.



9.8 MARKETING OPPORTUNITIES FOR MEN AND WOMEN IN FAMILY BUSINESSES

From the case study illustrated in **Figure 9.3** in the Training Manual, what are the challenges that face sellers and customers in price negotiations?



9.9 SUMMARY OF KEY THINGS LEARNED IN THIS MODULE

In groups, discuss and list the key things that you learned in this module.

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MODULE 10:

CONTRACT FARMING



LEARNING OBJECTIVES

By the end of this module, participants are expected to:

- ✓ Understand and appreciate the essence and objectives of contract farming
- ✓ Understand the nature of cropping and livestock contracts in Zimbabwe
- ✓ Understand the key components of a contract
- ✓ Understand the obligations/roles of each party in a contract
- ✓ Understand the benefits and challenges in implementation of contracts
- ✓ List the critical issues to look at before signing a contract
- ✓ Understand the role of government and its arms in contract management

10.1 INTRODUCTION

a) What do you understand by the term contract farming?



b) List some contract farming examples in your area.



10.2 BENEFITS OF CONTRACT FARMING TO FARMERS

How do farming businesses benefit from a contract farming relationship?



10.3 BENEFITS OF CONTRACT FARMING TO CONTRACTING FIRMS

In what ways do contracting firms benefit from a contract farming relationship?



10.4 GENDER ISSUES IN CONTRACT FARMING

a) What are the general limitations to women participating in contract farming activities?



b) What should contracting firms do to ensure that women that also participate meaningfully in contract farming activities?



10.5 THINGS THAT ARE CONSIDERED BY CONTRACTING FIRMS

List the things that contracting firms consider before contracting farming businesses to produce a product.



10.6 CHALLENGES SURROUNDING CONTRACT FARMING IN ZIMBABWE

In groups, a) identify challenges that face farming businesses and contracting firms in contract farming relationships, and b) for each of the challenges you have identified, come up with possible solutions.



10.7 FARMER SELECTION IN CONTRACT FARMING

What do contracting firms consider in choosing farming businesses they will contract to produce for them?



10.8 LIVESTOCK AND CROP CONTRACTS IN ZIMBABWE

List the contracting firms you know are active in the a) crop sector and b) livestock sector. Which commodities do these firms contract out to farming businesses?



10.9 BASIC CHARACTERISTICS OF A GOOD CONTRACT DOCUMENT

What are the characteristics of a good contract?



10.10 ADVICE FOR FARMERS AND EXTENSION AGENTS BEFORE SIGNING A CONTRACT

What are the critical issues that farming business managers have to consider before signing a contract?



10.11 GOVERNMENT SUPPORT

In contract farming, government support is necessary to facilitate a win-win situation between the contractor and the farming business. What are the roles of government in contract farming?



10.12 SUMMARY OF KEY THINGS LEARNED IN THIS MODULE

In groups, discuss and list the key things that you learned in this module

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